

Message Text

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ACTION DLOS-02

INFO OCT-01 SS-14 IO-06 ISO-00 EB-04 EUR-08 TRSE-00
INT-01 COME-00 OMB-01 NSCE-00 SSO-00 L-01 SP-02
INR-05 INRE-00 CIAE-00 /045 W
-----029160 052049Z /66
O 051954Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 9279
INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 06881

EB FOR KATZ, D/LOS FOR BERLIND

DEPARTMENT PASS TREASURY FOR BERGSTEN, INTERIOR FOR
DAVENPORT, COMMERCE/NOAA FOR FRANK, OMB FOR SAUNDERS

LIMDIS

E.O.11652: GDS
TAGS: PLOS, EMIN
SUBJECT: NEGOTIATIONS WITH CANADA ON SEABED MINING
PRODUCTION CONTROL

1. SUMMARY: WE HAVE REACHED PROVISIONAL AGREEMENT WITH
THE CANADIAN DELEGATION ON A PRODUCTION CONTROL PACKAGE.
EACH DELEGATION HAS UNDERTAKEN TO SEEK THE REACTION OF ITS
GOVERNMENT AND TO SEEK SUPPORT FOR THE PACKAGE AMONG OTHER
DELEGATIONS. END SUMMARY.

2. AMBASSADORS RICHARDSON AND BEESLEY REACHED PROVISIONAL
AGREEMENT LATE AFTERNOON MAY 4, ON THE ELEMENTS OF A
PRODUCTION CONTROL PACKAGE. THE PACKAGE IS COMPOSED OF
ELEVEN ELEMENTS WHICH WILL BE OUTLINED IN DETAIL SEPTEL
TO BE SENT LATE TODAY, ALONG WITH ILLUSTRATIVE TABLES.

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3. THE MAJOR OPERATIONAL POINTS ARE THAT THE PRODUCTION
LIMITATION IS TO BE FOR A TWENTY-YEAR PERIOD ONLY, IN
ADDITION TO A FIVE-YEAR BUILD-UP PERIOD PRIOR TO COMMENCE-
MENT OF COMMERCIAL SEABED PRODUCTION, THE INCREASES DURING
THE PERIOD AVOID ANY "HIATUS" AS FOUND IN THE ICNT, AND
THE LIMITATION IS APPLIED PROSPECTIVELY TO THE DATE OF
ANTICIPATED COMMENCEMENT OF COMMERCIAL PRODUCTION.

4. THE COMBINED EFFECT OF THESE ELEMENTS IS TO RAISE THE BASE UPON WHICH A PERCENTAGE SPLIT IS CALCULATED, SO THAT ANY GIVEN PERCENTAGE PRODUCES A LARGER SHARE OF THE GROWTH IN THE MARKET AND MORE TONS OF NICKEL THAN THE SAME PERCENTAGE WHEN APPLIED TO THE ICNT. ALSO, THE PROSPECTIVE APPLICATION OF THE PRODUCTION CONTROL ALLOWS THE AUTHORITY TO APPROVE CONTRACTS AND PLANS OF WORK IN ANY GIVEN YEAR AUTHORIZING PRESENT AND FUTURE PRODUCTION IN EXCESS OF THE AMOUNT ALLOWED UNDER THE CEILING IN THAT YEAR, PROVIDED THAT THE ANTICIPATED PRODUCTION UNDER THEM DO NOT EXCEED THE ANTICIPATED CEILINGS IN THE FUTURE YEARS IN WHICH THE PRODUCTION WILL OCCUR. THIS REDUCES THE LIKELIHOOD THAT THE LIMITATION WILL "BITE" TO ANY SIGNIFICANT DEGREE.

5. AFTER AGREEMENTS HAD BEEN REACHED OVER THE PAST THREE WEEKS AT THE STAFF LEVEL ON THE FOREGOING ELEMENTS, TALKS BEGAN MAY 1 AT THE AMBASSADORIAL LEVEL ON THE PERCENTAGE SPLIT TO BE APPLIED. THE CANADIANS CONTENDED THAT THEY COULD NOT AGREE TO A SPLIT THAT WOULD ALLOW SEABED PRODUCTION OF MORE THAN 600,000 TONS OF NICKEL IN 1999, ASSUMING AN AVERAGE GROWTH IN NICKEL DEMAND OF 4.5 PERCENT/YEAR. THIS TURNED OUT TO BE A 50/50 SPLIT UNDER THE NEW FORMULA, EQUIVALENT TO 60/40 UNDER THE ICNT. AMBASSADOR RICHARDSON HELD OUT FOR A 67/33 SPLIT, WHICH IS THE APPROXIMATE CONFIDENTIAL

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EQUIVALENT OF 75/25 UNDER THE ICNT. ON MAY 4, THE AMBASSADORS AGREED ON A 60/40 SPLIT, EQUIVALENT TO 67/33 UNDER THE ICNT, AND RESULTING IN A LIMIT OF 718,000 TONS OF NICKEL IN 1999 UNDER THE SAME ASSUMPTIONS. BY 2004, JUST BEFORE THE END OF THE PRODUCTION CONTROL UNDER THESE ASSUMPTIONS, THE CEILING WOULD HAVE RISEN TO 989,000 TONS OUT OF A TOTAL PROJECTED NICKEL DEMAND OF 2,283,000 TONS. THESE QUANTITIES ARE APPROXIMATELY TWO-THIRDS OF THE ANTICIPATED GROWTH IN NICKEL DEMAND DURING THAT PERIOD.

6. IT WAS RECOGNIZED THAT BOTH DELEGATIONS WOULD NEED TO REPORT THIS AGREEMENT TO THEIR CAPITALS AND SEEK REACTIONS. IT WAS AGREED THAT, SUBJECT TO THERE REACTIONS, EACH DELEGATION WOULD BEGIN A SALES CAMPAIGN WITH ITS "FRIENDS" IN THE CONFERENCE TO OBTAIN THEIR ACQUIESCENCE. FINALLY, BOTH DELEGATIONS ARE CLEARLY AWARE THAT ALL ELEVEN ELEMENTS MUST REMAIN TOGETHER AS A PACKAGE, AND THAT ALL AGREEMENTS, ESPECIALLY THAT ON PERCENTAGE SPLIT, ARE CONTINGENT UPON THE PACKAGE REMAINING INTACT.

7. COMMENT: WE ARE SATISFIED THAT THIS PROVISIONAL AGREEMENT REPRESENTS THE BEST OUTCOME WE COULD HAVE EXPECT-

ED, EITHER NOW OR IN THE FORESEEABLE FUTURE. WE BELIEVE IT ALLOWS SUFFICIENT ROOM FOR ALL LIKELY SEABED PRODUCTION THROUGH THE PERIOD IT COVERS, AND WE NOTE THAT ITS LIMITED DURATION REDUCES ADVERSE PRECEDENTIAL EFFECTS BY MAKING IT A FORM OF ADJUSTMENT ASSISTANCE. THIS AGREEMENT SHOULD SERVE AS A POWERFUL LEVER TO MOVE THE CONFERENCE TOWARD ACCEPTABLE COMPROMISES AND COULD THUS HASTEN SIGNIFICANTLY CONCLUSION OF THE COMPREHENSIVE LOS TREATY.

8. ACTION REQUESTED: INTERESTED AGENCIES ARE REQUESTED

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ACTION DLOS-02

INFO OCT-01 EUR-08 IO-06 ISO-00 EB-04 TRSE-00 INT-01

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TO SECSTATE WASHDC IMMEDIATE 9280

INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L SECTION 02 OF 02 GENEVA 06881

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TO CONVEY TO USDEL, THROUGH D/LOS, THEIR REACTIONS TO THIS PROVISIONAL AGREEMENT. RICHARDSON

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